

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58285

**CITY OF OTHELLO HOUSING AUTHORITY**

Adams County, Washington

July 1, 1994 Through June 30, 1996

Issue Date: June 6, 1997

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**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements, as listed in the table of contents, of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Othello Housing Authority is the responsibility of the housing authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the housing authority's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the housing authority complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the housing authority's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the housing authority and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

We noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the housing authority's management in our reports on general requirements and specific requirements for major programs, and in the Schedule of Federal Findings.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the housing authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the housing authority, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

We noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the housing authority's management in our reports on general requirements and specific requirements for major programs, and the Schedule of Federal Findings.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Financial Statements Of HUD Supported  
Programs And Supplemental Information Required By HUD**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the accompanying financial statements of the programs supported by the U.S. Department of Housing and Urban Development (HUD) of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995. These financial statements are the responsibility of the housing authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The housing authority's policy is to prepare its financial statements referred to above on the basis of accounting practices prescribed or permitted by HUD, which is a basis of accounting other than generally accepted accounting principles. The accounting practices prescribed by HUD differ from generally accepted accounting principles, including the lack of required note disclosures. The effects of these departures from generally accepted accounting principles are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial positions of the HUD supported programs of the City of Othello Housing Authority as of June 30, 1996 and 1995, or the results of their operations for the fiscal years then ended.

However, in our opinion, such financial statements present fairly, in all material respects, the financial positions of the HUD supported programs of the City of Othello Housing Authority at June 30, 1996 and 1995, and the results of their operations for the fiscal years then ended, in conformity with the prescribed basis of accounting.

As described in Note 6 to the financial statements, the housing authority has included its local balance sheet and operating activity in these HUD reports.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Actual Modernization/Development Cost Certificates for Projects WA19P026907-92 and WA19P026002 are not a required part of the financial statements but is supplemental information required by HUD. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the respective HUD supported programs and, in our opinion, is fairly presented in all material respects in relation to the financial statements of such programs taken as a whole, on the basis of accounting practices prescribed or permitted by HUD.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 1997, on our consideration of the housing authority's internal control structure and a report dated March 28, 1997, on its compliance with laws and regulations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997



**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Supplementary Information**  
**Schedule Of Federal Financial Assistance**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997. These financial statements are the responsibility of the housing authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Othello Housing Authority taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We have applied procedures to test the housing authority's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended June 30, 1996 and 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Cash management
- Relocation assistance and real property acquisition
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the housing authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow general requirements that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the program. The results of our tests of compliance disclosed a material instance of noncompliance that is described in the accompanying Schedule of Federal Findings.

We considered the material instance of noncompliance in forming our opinion on whether the financial statements are presented fairly, in all material respects, in conformity with the prescribed basis of accounting, and this report does not affect our report dated March 28, 1997, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the City of Othello Housing Authority complied, in all material respects, with the requirements referred to in the second paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe the housing authority had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Major Federal Financial Assistance Programs**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We also have audited the housing authority's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended June 30, 1996 and 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- reporting
- special tests and provisions related to occupancy (CFDA 14.850) as described in the HUD Public and Indian Housing *Compliance Supplement for Single Audits of Housing Authorities*
- claims for advances and reimbursements

The management of the housing authority is responsible for the housing authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the housing authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the accompanying Schedule of Federal Findings. We have considered the instances of noncompliance in forming our opinion on compliance, which are expressed in the following paragraph.

In our opinion, the City of Othello Housing Authority complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal years ended June 30, 1996 and 1995.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Nonmajor Federal Financial Assistance Program Transactions**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

In connection with our audit of the financial statements of the housing authority and with our consideration of the housing authority's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to its nonmajor federal financial assistance program for the fiscal years ended June 30, 1996 and 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the housing authority's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the City of Othello Housing Authority had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Federal Findings.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

**CITY OF OTHELLO HOUSING AUTHORITY**  
**Adams County, Washington**  
**July 1, 1994 Through June 30, 1996**

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**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

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Board of Directors  
City of Othello Housing Authority  
Othello, Washington

We have audited the financial statements of the City of Othello Housing Authority, Adams County, Washington, as of and for the fiscal years ended June 30, 1996 and 1995, and have issued our report thereon dated March 28, 1997. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the housing authority complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the housing authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated March 28, 1997.

The management of the housing authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Cash disbursements
  - Receivables
  - Accounts payable
  - Purchasing and receiving
  - Payroll
  - Property, plant, and equipment
  - General ledger
- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements
- **Specific Requirements**
  - Types of services
  - Eligibility
  - Reporting
  - Special requirements
- **Claims For Advances And Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Inventory control
- **General Requirements**
  - Cash management
  - Relocation assistance and real property acquisition
  - Subrecipient monitoring



- **Specific Requirements**  
Matching, level of effort, earmarking
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended June 30, 1996, the housing authority expended 88 percent of its total federal financial assistance under one major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the housing authority's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the housing authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we noted a reportable condition involving the accounting and/or administrative internal control structure and its operation that we believe to be a material weakness as defined above. The condition, which is identified in the Schedule of Federal Findings accompanying this report, was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the housing authority's compliance with requirements applicable to its major federal financial assistance program for the fiscal years ended June 30, 1996 and 1995, and this report does not affect our report thereon dated March 28, 1997.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

March 28, 1997

CITY OF OTHELLO HOUSING AUTHORITY  
Adams County, Washington  
July 1, 1994 Through June 30, 1996

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Schedule Of Federal Findings

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1. The Othello Housing Authority Should Improve Controls Over The Reporting And Safeguarding Of Fixed Assets

Our review of the housing authority's fixed asset accounting system noted the following problems: (1) Values assigned to assets on the detail listings exceeded the amount reported on the balance sheet by \$387,217, (2) Nonexpendable personal property purchased with federal funds has not been properly identified on a consistent basis, and (3) No detail listing of appliances placed in the rental units is maintained.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* No. 32 (d) (1), (2), & (3) states in part:

. . . (d) Procedures for managing equipment . . . whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

The problems noted were caused by the housing authority's practice of assigning a "value" to the real estate and the contents of each rental unit, rather than recording the items at historical cost. Updating personal property records was not considered a high priority item.

The failure to maintain detailed support for the information reported on the financial statements can result in a misstated financial statement. By not maintaining the minimum records required for assets purchased with federal funds, the authority cannot ensure compliance with federal regulations regarding use and disposal of assets. Furthermore, the lack of accountability increases the risk of loss or misuse of public assets.

We recommend the Othello Housing Authority comply with the requirements of "Common Rule" No. 32. We further recommend the authority reconcile its detail asset listings to the capitalized assets presented on the balance sheet using an original cost basis.

Auditee's Response

*I concur with this Finding. OHA currently takes a physical inventory every year and maintains a detailed listing of property including appliances placed in each rental unit.*

*In order to satisfy this Finding we will comply with Common Rule 32 and reconcile our assets with the balance sheet.*

2. Tenant Records Should Be Maintained In Accordance With Housing And Urban Development (HUD) Guidelines

Our testing of the compliance issues contained in the new HUD compliance supplement revealed the following reportable conditions:

- a. A Form 50058 returned by Multifamily Tenant Characteristics System (MTCS) indicating an understatement of a tenant's income had not been corrected and resubmitted to MTCS.
- b. An incorrect rent calculation.
- c. A missing copy of a tenant's social security card.

The Public Housing 95-31 Compliance Supplement clearly indicates that errors noted on HUD form 50058 by MTCS and returned, require timely correction and refiling.

24 CFR 813.109 states in part:

. . . PHA shall be responsible for . . . determination of Annual Income, Adjusted Income and Total Tenant Payment.

24 CFR, Subpart B 5.210 states in part:

. . . requires applicants for and participants in covered HUD programs to disclose, and submit documentation to verify, their Social Security Numbers.

The authority files are maintained by one person. The authority does not have a review process in place to ensure accuracy.

Failure to comply with HUD requirements could potentially affect HUD funding of the authorities operations. Further, inaccurate records and calculations could cause tenants to pay incorrect rent amounts.

We recommend Othello Housing Authority take the necessary steps to ensure that all required documentation is obtained for tenant files, calculations are accurate, and reports are filed timely as prescribed by HUD.

Auditee's Response

*I concur with this Finding.*

*OHA continues to review each tenant file to ensure accuracy. In addition to regular file reviews random file checks are now being conducted by staff other than the person responsible for file maintenance.*

*I thank you and your staff for helping to make the audit a positive experience.*

CITY OF OTHELLO HOUSING AUTHORITY  
Adams County, Washington  
July 1, 1994 Through June 30, 1996

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Status Of Prior Findings

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The findings contained in the prior audit report were resolved as follows:

1. Requests For Reimbursement Should Have Adequate Documentation And The Procedures To Accumulate The Costs Claimed Should Be Improved

*Resolution: Resolved. Our testing found reimbursement requests to be supported by adequate documentation and cost accumulation system improved.*

2. Income Verification Documentation Should Meet Requirements

*Resolution: Resolved. Our testing did not find exceptions to income verification.*